

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TENNESSEE**

In re:)	
)	Case No. <u>10-53129</u>
PHILLIPS RENTAL PROPERTIES , LLC)	Chapter 11
Debtor.)	

EMERGENCY MOTION FOR AUTHORITY TO USE PROPERTY

Comes now Phillips Rental Properties, LLC, the above captioned debtor and debtor in possession by counsel, and moves the Court pursuant to 11 U.S.C. §105, §361, §363 and §364 and Fed. R. Bankr.P. 4001 for the entry of an order granting the Debtor authority to use property, and in support thereof, states as follows:

1. On or about December 7, 2010 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtor intends to continue in possession of its respective properties and the management of its respective business as debtor in possession pursuant to sections §1107 and §1108 of the Bankruptcy Code.

2. No trustee, examiner or committee of creditors has been appointed in these cases.

3. The Debtor is duly qualified and acting debtor-in-possession in this case. The Debtor has the powers and duties of a trustee pursuant to 11 U.S.C. §1107.

4. The Debtor’s primary source of revenue to pay its ordinary operating expenses (the “Expenses”) comes from its business of property development for resale and/or rental along with home construction for resale and/or rental.

5. The Debtor along with Gary and Karla Phillips are co-makers (the “Co-Makers”) and/or guarantors (the “Guarantors”) on notes with the following banks (hereinafter the “Banks”):

Bank Name	Description of Property	Market Value	Approximate amount of Claim	Equity
Bank of TN	518D Pilgrim Court	115,900.00	83,141.00	32,759.00
Bank of TN	514D Pilgrim Court	115,900.00	83,141.00	32,759.00
Bank of TN	514A Pilgrim Court	134,900.00	83,141.00	51,759.00
Bank of TN	415 Lake Approach	387,100.00	265,325.00	121,775.00
<i>Total for Bank of TN</i>		<i>\$753,800.00</i>	<i>\$514,748.00</i>	<i>\$239,052.00</i>
Carter County Bank	219 Alta Blvd	\$292,600.00	\$204,419.00	\$88,181.00
Citizens Bank	6 York Circle, 702 Swadley Rd, 154 Pecanwood, 39 Embassy Row, 419 Cottonwood Lane	\$914,300.00	\$565,947.00	\$348,353.00
Eastman Credit Union	2020 Indian Ridge Rd	\$3,275,000.00	\$2,383,489.00	\$891,511.00
First Bank TN	113 Shady Lane	146,300.00	86,010.00	60,290.00
First Bank TN	51 Embassy Row	330,800.00	235,266.00	95,534.00
First Bank TN	47 Embassy Row	360,000.00	235,266.00	124,734.00
First Bank TN	45 Embassy Row	360,000.00	235,266.00	124,734.00
<i>Total for First Bank TN</i>		<i>\$1,197,100.00</i>	<i>\$791,808.00</i>	<i>\$405,292.00</i>
Regions	606 Swadley Road, 608 Swadley Rd, 704	\$5,000,000.00	\$3,770,512.00	\$1,229,488.00

Bank	Swadley Road			
TriSummit Bank	2823 South Roan St	1,500,000.00	956,460.10	543,539.00
TriSummit Bank	437 Grovemont Place	113,100.00	80,000.00	33,100.00
<i>Total for TriSummit</i>		<i>\$1,613,100.00</i>	<i>\$1,036,460.10</i>	<i>\$576,639.90</i>

6. The Banks claim a security in receivables, personal property and real properties of the Debtor (collectively the “Prepetition Collateral”).

7. Pursuant to 11.U.S.C. §363. The cash proceeds of the Prepetition Collateral (the “Cash Collateral”) may constitute collateral.

8. In order to continue operations in the ordinary course of business and to pay the Expenses the Debtor seeks the authority of this Court to use the Cash Collateral which existed as of the Petition Date and thereafter on an emergency basis until a final hearing can be held under Bankruptcy Rule 4001(b). The Debtor believes that its current assets upon which the Banks claims a lien have a value much in excess of that necessary to adequately protect the interest of the Banks.

9. The Debtor believes that permitting the use of the Cash Collateral is in the best interest of its creditors since it will allow for the continued operation of the Debtor’s business and the preservation of the value of the Debtor’s business as an ongoing concern.

10. If the Debtor is not allowed the usage of the cash collateral the Debtor will be not be able to pay operating expenses, including without limitation, immediate and necessary expenses and, as a consequence, the Debtor will suffer immediate and

irreparable harm. If those payments are not made, the Debtor will not have the ability to maintain its value as an ongoing concern.

11. Debtor would show that the affected parties, the U.S. Trustee's Office, the Banks and creditors under Bankruptcy Rule 1007(d) have been served with a copy of this motion and notice for preliminary hearing to be set on December 14, 2010 at 9:00 a.m. at the United States Bankruptcy Court, James H. Quillen U. Courthouse, Greenville, Tennessee electronically or by U.S. Mail, postage prepaid.

WHEREFORE, the Debtor prays that this Court enter an Order authorizing the use of the Cash Collateral and for such other relief as this Court may deem just.

Dated: December 8, 2010

PHILLIPS RENTAL PROPERTIES, LLC

By: /s/ Fred M. Leonard

Fred M. Leonard

Attorney for Debtor, TN Bar No. 001525

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CERTIFICATE OF SERVICE

I, Fred M. Leonard, Attorney for the Debtor-in-Possession, do hereby certify that on the 8th day of December, 2010 I filed the aforesaid Motion and proposed Order with the United States Bankruptcy Court for the Eastern District of Tennessee using its CM/ECF Electronic filing system and thereby caused a copy of the pleading to be served on all parties designated thereto. I further certify that the foregoing Motion and proposed Order was sent to the following by U.S. Mail, postage prepaid and/or electronically:

Bank of Tennessee

PO Box 4980

Johnson City, TN 37602

Kent Roller - kroller@bankoftennessee.com

Carter County Bank

PO Box 1990
Elizabethton, TN 37643
David Mahaffey - dmahaffey@cartercountybank.com

Citizens LOC
PO Box 1900
Elizabethton, TN 37643
Joe LaPorte - joe.laporte@citizensbank24.com

Eastman Credit Union
PO Box 1989
Kingsport, TN 37662
Tony Wilder - twilder@ecu.org

First Tennessee Bank
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I further certify that the foregoing Notice was sent to all parties on the attached Service Listing by placing same in the U.S. Mail, first class postage prepaid.

/s/ Fred M. Leonard
FRED M. LEONARD

